

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED  
JUNE 30, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/30/08

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

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**Hulsey, Harwood & Co.**

**A Professional Accounting Corporation**

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**Certified Public Accountants**

### **INDEPENDENT AUDITOR'S REPORT**

**To the Mayor and Council Members  
Town of Oak Grove, Louisiana**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oak Grove, Louisiana as of and for the year ended June 30, 2007, which collectively comprise the Town of Oak Grove's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Oak Grove, Louisiana's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oak Grove, Louisiana, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2007, on our consideration of the Town of Oak Grove, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Town of Oak Grove  
Independent Auditor's Report  
June 30, 2007

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 32 through 34, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Oak Grove, Louisiana's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HULSEY, HARWOOD & CO., CPAs  
A Professional Accounting Corporation

*Hulsey, Harwood & Co.*

December 13, 2007

## TOWN OF OAK GROVE, LOUISIANA

### Management's Discussion and Analysis As of and for the Year Ended June 30, 2007

Our discussion and analysis of the Town provides an overview of the Town's activities for the year ended June 30, 2007. Please read it in conjunction with the Town's financial statements.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole.

#### Reporting the Town as a Whole The Statement of Net Assets and the Statement of Activities

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Town's net assets and changes in them. The Town's net assets, the difference between assets and liabilities, is a measure of the Town's financial position. The increases or decreases in the Town's net assets are an indicator of whether its financial position is improving or deteriorating.

#### THE TOWN AS A WHOLE

At June 30, 2007 net assets were as follows:

|   | NET ASSETS         |                     |
|---|--------------------|---------------------|
|   | 2007               | (Restated)<br>2006  |
| Current and other assets                | \$2,998,116        | \$ 2,903,746        |
| Capital assets (net)                    | <u>5,985,629</u>   | <u>6,022,642</u>    |
| Total assets                            | <u>8,983,745</u>   | <u>8,926,388</u>    |
| Liabilities:                            |                    |                     |
| Current                                 | 263,427            | 250,710             |
| Long-term                               | <u>2,166,879</u>   | <u>2,390,724</u>    |
| Total liabilities                       | <u>2,430,306</u>   | <u>2,641,434</u>    |
| Net assets:                             |                    |                     |
| Invested in capital assets, net of debt | 3,647,308          | 3,534,682           |
| Restricted                              | 575,507            | 559,803             |
| Unrestricted                            | <u>2,330,624</u>   | <u>2,190,469</u>    |
| Total net assets                        | <u>\$6,553,439</u> | <u>\$ 6,284,954</u> |

## TOWN OF OAK GROVE, LOUISIANA

### Management's Discussion and Analysis As of and for the Year Ended June 30, 2007

For the year ended June 30, 2007, net assets changed as follows:

|  | <u>2007</u>         | <u>(Restated)<br/>2006</u> |
|--|---------------------|----------------------------|
| <b>CHANGE IN NET ASSETS</b>            |                     |                            |
| Program revenues:                      |                     |                            |
| Charges for services                   | \$ 538,501          | \$ 531,865                 |
| Operating grants and contributions     | 24,660              | -                          |
| Capital grants and contributions       | 295,280             | 8,410                      |
| General revenues:                      |                     |                            |
| Property taxes                         | 164,863             | 161,076                    |
| Sales taxes                            | 612,047             | 585,017                    |
| Other taxes                            | 208,641             | 217,359                    |
| Other                                  | 102,635             | 123,398                    |
| Total revenues                         | <u>1,946,627</u>    | <u>1,627,125</u>           |
| Expenses:                              |                     |                            |
| General government                     | 467,642             | 491,371                    |
| Public safety                          | 207,250             | 162,782                    |
| Highways and streets                   | 232,707             | 194,777                    |
| Health and welfare                     | 117,787             | -                          |
| Culture and recreation                 | -                   | -                          |
| Interest expense                       | 89,013              | 95,629                     |
| Water and sewer                        | 563,745             | 548,597                    |
| Total expenses                         | <u>1,678,144</u>    | <u>1,493,156</u>           |
| <b>Change in net assets</b>            | 268,483             | 133,969                    |
| <b>Beginning net assets (restated)</b> | <u>6,284,956</u>    | <u>6,150,985</u>           |
| <b>Ending net assets</b>               | <u>\$ 6,553,439</u> | <u>\$ 6,284,954</u>        |

The 2006 column has been restated to include buildings and related depreciation more fully discussed in the notes to the financial statements.

#### BUDGETARY HIGHLIGHTS

During the year, in the General Fund, there was a \$113,175 increase in anticipated revenues. It was mainly due to grant projects which included \$35,000 for lighting of the Oak Grove Recreation Complex, \$29,500 for Downtown Beautification, and \$10,000 for lighting for the Oak Grove Park walking trail. The remainder of the increase is attributed to additional revenues from property taxes, occupational licenses, insurance premium taxes, franchise fees and interest on savings. Budgeted expenditures were increased by \$112,273 mainly because of capital expenditures purchased through grants.

During the year in the Sales Tax Fund, there was a \$92,420 increase in anticipated revenues. This was primarily derived from Super Wal-Mart and other new businesses in town.. There was a \$35,871 increase in appropriations due to the purchase of a new mayor's car, a truck for the maintenance department, bush hog, park lights, computer and software and overall increase in expenses.

## **TOWN OF OAK GROVE, LOUISIANA**

### **Management's Discussion and Analysis As of and for the Year Ended June 30, 2007**

In the Economic Development Fund, budgeted grant revenue was increased by \$109,800, due to grants awarded to the Town for sewer improvements in the Industrial Park. The State of Louisiana, Capital Outlay Program provided \$62,000 and the North Delta Regional Planning and Development District, Inc. provided \$50,000.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

##### **Capital Assets**

At June 30, 2007, the Town's investment in capital assets for its governmental and business-type activities amounts to \$5,985,629 (net of accumulated depreciation). This investment includes buildings and improvements, vehicles, machinery, equipment and land.

This year's additions of \$337,615 include sewer improvements at the industrial park, park lighting, five vehicles, a mower for the cemetery, and minor furniture and equipment.

##### **Debt**

At year end, the Town had a total of \$1,815,000 in general obligation bonds, Series 99, outstanding. The bonds bear interest at various rates from 4.30% to 4.70% and are due to mature in 2017. The Town also has outstanding Water and Sewer Revenue Bonds totaling \$503,249, payable in monthly installments of \$4,995 through March 20, 2038 and bearing interest at 4.875%.

In addition, the Town had a total liability of \$30,834 for compensated absences.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Town of Oak Grove is located in a depressed area of the state. The Town's revenues are derived mainly from a special sales and use tax, property tax assessments and fees for services. The Town does not anticipate any major increases or decreases in these revenues.

#### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Clerk, Mrs. Sandra Miller.

**BASIC FINANCIAL STATEMENTS**

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2007**

| <b>ASSETS</b>                                     | <b>Primary Government</b>          |                                     | <b>Total</b>        |
|---|------------------------------------|-------------------------------------|---------------------|
|   | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> |                     |
| Cash and cash equivalents                         | \$ 2,002,099                       | \$ 204,776                          | \$ 2,206,875        |
| Cash and cash equivalents - restricted            | 376,434                            | 203,149                             | 579,583             |
| Receivables                                       | 151,205                            | 51,303                              | 202,508             |
| Internal balances                                 | 33                                 | (33)                                | -                   |
| Inventories                                       | -                                  | 9,150                               | 9,150               |
| Capital assets not being depreciated              | 34,270                             | 10,756                              | 45,026              |
| Capital assets net of accumulated depreciation    | 2,661,560                          | 3,279,043                           | 5,940,603           |
| <b>TOTAL ASSETS</b>                               | <b>5,225,601</b>                   | <b>3,758,144</b>                    | <b>8,983,745</b>    |
| <b>LIABILITIES</b>                                |                                    |                                     |                     |
| Accounts payable                                  | 7,006                              | 6,253                               | 13,259              |
| Payroll and related liabilities                   | 3,177                              | 364                                 | 3,541               |
| Accrued liabilities                               | -                                  | 6,721                               | 6,721               |
| Customer deposits payable                         | -                                  | 54,737                              | 54,737              |
| Due to others                                     | 2,965                              | -                                   | 2,965               |
| Due within one year                               | 130,274                            | 51,930                              | 182,204             |
| Due in more than one year                         | 1,704,798                          | 462,081                             | 2,166,879           |
| <b>TOTAL LIABILITIES</b>                          | <b>1,848,220</b>                   | <b>582,086</b>                      | <b>2,430,306</b>    |
| <b>NET ASSETS</b>                                 |                                    |                                     |                     |
| Investment in capital assets, net of related debt | 860,758                            | 2,786,550                           | 3,647,308           |
| Restricted for debt service                       | 376,434                            | 199,073                             | 575,507             |
| Unrestricted                                      | 2,140,189                          | 190,435                             | 2,330,624           |
| <b>TOTAL NET ASSETS</b>                           | <b>\$ 3,377,381</b>                | <b>\$ 3,176,058</b>                 | <b>\$ 6,553,439</b> |

The accompanying notes are an integral part of these financial statements.

TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

| FUNCTIONS/PROGRAMS                         | PROGRAM REVENUES |                      |                                    | NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS |                         |                          |              |
|--|------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|--------------|
|  | EXPENSES         | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS                | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL        |
| Governmental activities:                   |                  |                      |                                    |   |                         |                          |              |
| General government                         | \$ 467,642       | \$ 55,685            | \$ -                               | \$ 11,899                                       | \$ (400,058)            | \$ -                     | \$ (400,058) |
| Public safety                              | 207,250          | 21,416               | 24,660                             | 19,834  | (141,340)               | -                        | (141,340)    |
| Highways and streets                       | 232,707          | -                    | -                                  | -   | (232,707)               | -                        | (232,707)    |
| Health and welfare                         | 117,787          | -                    | -                                  | 110,760   | (7,027)                 | -                        | (7,027)      |
| Culture and recreation                     | -                | -                    | -                                  | 35,000  | 35,000                  | -                        | 35,000       |
| Interest expense                           | 89,013           | -                    | -                                  | -   | (89,013)                | -                        | (89,013)     |
| Total governmental activities              | 1,114,399        | 77,101               | 24,660                             | 177,493   | (835,145)               | -                        | (835,145)    |
| Business-type activities:                  |                  |                      |                                    |   |                         |                          |              |
| Water and sewer                            | 563,745          | 461,400              | -                                  | 117,787   | -                       | \$ 15,442                | \$ 15,442    |
| Total business-type activities             | 563,745          | 461,400              | -                                  | 117,787   | -                       | 15,442                   | 15,442       |
| Total primary government                   | \$ 1,678,144     | \$ 538,501           | \$ 24,660                          | \$ 295,280                                      | (835,145)               | 15,442                   | (819,703)    |
| General revenues:                          |                  |                      |                                    |   |                         |                          |              |
| Property taxes                             |                  |                      |                                    |   | 164,863                 | -                        | 164,863      |
| Sales and use taxes                        |                  |                      |                                    |   | 612,047                 | -                        | 612,047      |
| Franchise taxes                            |                  |                      |                                    |   | 78,476                  | -                        | 78,476       |
| Licenses and permits                       |                  |                      |                                    |   | 129,009                 | -                        | 129,009      |
| Other taxes, penalties and interest        |                  |                      |                                    |   | 1,156                   | -                        | 1,156        |
| Unrestricted investment earnings           |                  |                      |                                    |   | 81,403                  | 7,114                    | 88,517       |
| Gain on sale of capital assets             |                  |                      |                                    |   | 4,302                   | -                        | 4,302        |
| Other                                      |                  |                      |                                    |   | 5,063                   | 4,753                    | 9,816        |
| Total general revenues and transfers       |                  |                      |                                    |   | 1,076,319               | 11,867                   | 1,088,186    |
| Change in net assets                       |                  |                      |                                    |   | 241,174                 | 27,309                   | 268,483      |
| Net assets at beginning of year (restated) |                  |                      |                                    |   | 3,136,207               | 3,148,749                | 6,284,956    |
| Net assets at end of year                  |                  |                      |                                    |   | \$ 3,377,381            | \$ 3,176,058             | \$ 6,553,439 |

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2007**

| ASSETS                                 | General          | Sales Tax          | Economic<br>Development | Debt<br>Service   | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------|--------------------|-------------------------|-------------------|--------------------------------|--------------------------------|
| Cash and cash equivalents              | \$349,589        | \$ 916,163         | \$ 308,829              | \$ -              | \$ 427,518                     | \$ 2,002,099                   |
| Cash and cash equivalents - restricted | -                | -                  | -                       | 376,434           | -                              | 376,434                        |
| Accounts receivable                    | 50,636           | 100,569            | -                       | -                 | -                              | 151,205                        |
| Due from other funds                   | 9,681            | -                  | 60,760                  | -                 | 33                             | 70,474                         |
| <b>TOTAL ASSETS</b>                    | <u>\$409,906</u> | <u>\$1,016,732</u> | <u>\$ 369,589</u>       | <u>\$ 376,434</u> | <u>\$ 427,551</u>              | <u>\$ 2,600,212</u>            |

**LIABILITIES AND FUND BALANCES**

|  |                  |                    |                   |                   |                   |                     |
|--|------------------|--------------------|-------------------|-------------------|-------------------|---------------------|
| <b>Liabilities:</b>                        |                  |                    |                   |                   |                   |                     |
| Accounts payable                           | \$ 2,267         | \$ 1,547           | \$ -              | \$ -              | \$ 3,192          | \$ 7,006            |
| Payroll and related liabilities            | 3,177            | -                  | -                 | -                 | -                 | 3,177               |
| Unearned revenue                           | -                | 52,582             | -                 | -                 | -                 | 52,582              |
| Due to other funds                         | 60,760           | 9,681              | -                 | -                 | -                 | 70,441              |
| Due to others                              | 2,965            | -                  | -                 | -                 | -                 | 2,965               |
| Total liabilities                          | <u>69,169</u>    | <u>63,810</u>      | <u>-</u>          | <u>-</u>          | <u>3,192</u>      | <u>136,171</u>      |
| <b>Fund balances:</b>                      |                  |                    |                   |                   |                   |                     |
| Reserved for debt service                  | -                | -                  | -                 | 376,434           | -                 | 376,434             |
| Unreserved - undesignated                  | 340,737          | 952,922            | 369,589           | -                 | 424,359           | 2,087,607           |
| Total fund balances                        | <u>340,737</u>   | <u>952,922</u>     | <u>369,589</u>    | <u>376,434</u>    | <u>424,359</u>    | <u>2,464,041</u>    |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u>\$409,906</u> | <u>\$1,016,732</u> | <u>\$ 369,589</u> | <u>\$ 376,434</u> | <u>\$ 427,551</u> | <u>\$ 2,600,212</u> |

The accompanying notes are an integral part of these financial statements.  
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**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**Amounts reported for governmental activities  
in the statement of net assets are different because:**

|  |                            |
|--|----------------------------|
| <b>Total fund balances</b>   | <b>\$ 2,464,041</b>        |
| Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds.                      | 2,695,830                  |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.                 | 52,582                     |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | <u>(1,835,072)</u>         |
| <b>Net assets of governmental activities</b>   | <b><u>\$ 3,377,381</u></b> |

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2007**

|   | General Fund      | Sales Tax Fund    | Economic Development Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|-------------------|---------------------------|-------------------|--------------------------|--------------------------|
| <b>Revenues:</b>  |                   |                   |                           |                   |                          |                          |
| Property taxes  | \$ 84,894         | \$ -              | \$ -                      | \$ -              | \$ 79,969                | \$ 164,863               |
| Sales and use taxes                                       | -                 | 613,798           | -                         | -                 | -                        | 613,798                  |
| Franchise taxes   | 78,476            | -                 | -                         | -                 | -                        | 78,476                   |
| Other taxes, penalties and interest                       | 1,156             | -                 | -                         | -                 | -                        | 1,156                    |
| Licenses and permits                                      | 129,909           | -                 | -                         | -                 | -                        | 129,909                  |
| Intergovernmental revenues                                | 91,393            | -                 | 110,760                   | -                 | -                        | 202,153                  |
| Charges for services                                      | 11,086            | -                 | -                         | -                 | 11,225                   | 22,311                   |
| Fines   | 21,416            | -                 | -                         | -                 | -                        | 21,416                   |
| Lease income  | 33,374            | -                 | -                         | -                 | -                        | 33,374                   |
| Interest earned   | 6,189             | 32,309            | 12,819                    | 13,253            | 16,833                   | 81,403                   |
| Other revenues  | 3,943             | 1,120             | -                         | -                 | -                        | 5,063                    |
| <b>Total revenues</b>                                     | <u>460,936</u>    | <u>647,227</u>    | <u>123,579</u>            | <u>13,253</u>     | <u>108,027</u>           | <u>1,353,022</u>         |
| <b>Expenditures:</b>                                      |                   |                   |                           |                   |                          |                          |
| Current:  |                   |                   |                           |                   |                          |                          |
| General government  | 217,219           | 211,204           | 40                        | -                 | -                        | 428,463                  |
| Public safety   | 207,250           | -                 | -                         | -                 | -                        | 207,250                  |
| Highways and streets                                      | -                 | 76,899            | 1,950                     | -                 | 65,403                   | 144,252                  |
| Debt service - principal                                  | -                 | -                 | -                         | 120,000           | -                        | 120,000                  |
| Debt service - interest                                   | -                 | -                 | -                         | 89,013            | -                        | 89,013                   |
| Capital outlay  | 36,206            | 48,886            | 117,787                   | -                 | 6,954                    | 209,833                  |
| <b>Total expenditures</b>                                 | <u>460,675</u>    | <u>336,989</u>    | <u>119,777</u>            | <u>209,013</u>    | <u>72,357</u>            | <u>1,198,811</u>         |
| Excess (deficiency) of revenues over (under) expenditures | 261               | 310,238           | 3,802                     | (195,760)         | 35,670                   | 154,211                  |
| Other financing sources (uses):                           |                   |                   |                           |                   |                          |                          |
| Transfers in  | -                 | -                 | -                         | 211,464           | -                        | 211,464                  |
| Transfers out   | -                 | (211,464)         | -                         | -                 | -                        | (211,464)                |
| Sale of capital assets                                    | -                 | -                 | -                         | -                 | 6,000                    | 6,000                    |
| <b>Total other financing sources and uses</b>             | <u>-</u>          | <u>(211,464)</u>  | <u>-</u>                  | <u>211,464</u>    | <u>6,000</u>             | <u>6,000</u>             |
| <b>Net change in fund balances</b>                        | <u>261</u>        | <u>98,774</u>     | <u>3,802</u>              | <u>15,704</u>     | <u>41,670</u>            | <u>160,211</u>           |
| Fund balances - beginning                                 | 340,476           | 854,148           | 365,787                   | 360,730           | 382,689                  | 2,303,830                |
| <b>Fund balances - ending</b>                             | <u>\$ 340,737</u> | <u>\$ 952,922</u> | <u>\$ 369,589</u>         | <u>\$ 376,434</u> | <u>\$ 424,359</u>        | <u>\$ 2,464,041</u>      |

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

---

**Amounts reported for governmental activities  
in the statement of net assets are different because:**

|   |                                 |
|---|---------------------------------|
| <b>Net change in fund balances - total governmental funds</b>   | <b>\$ 160,211</b>               |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.  | <b>(37,189)</b>                 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.  | <b>(1,697)</b>                  |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  | <b>(1,751)</b>                  |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | <b>120,000</b>                  |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.   | <u><b>1,600</b></u>             |
| <b>Change in net assets of governmental activities</b>  | <u><u><b>\$ 241,174</b></u></u> |

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**PROPRIETARY FUND - WATER AND SEWER FUND  
STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2007**

**ASSETS**

|  |                         |
|--|-------------------------|
| Current assets:                        |                         |
| Cash and cash equivalents              | \$ 204,776              |
| Receivables                            | 51,303                  |
| Inventories                            | 9,150                   |
| Total current assets                   | <u>265,229</u>          |
| Noncurrent assets:                     |                         |
| Cash and cash equivalents - restricted | 203,149                 |
| Capital assets net of depreciation     | 3,289,799               |
| <b>TOTAL ASSETS</b>                    | <u><u>3,758,177</u></u> |

**LIABILITIES**

|  |                       |
|--|-----------------------|
| Current liabilities:                   |                       |
| Accounts payable                       | 6,253                 |
| Due to other funds                     | 33                    |
| Payroll and related liabilities        | 364                   |
| Compensated absences payable - current | 3,355                 |
| Customer deposits payable              | 54,737                |
| Accrued liabilities                    | 6,721                 |
| Revenue bonds payable - current        | 48,575                |
| Total current liabilities              | <u>120,038</u>        |
| Noncurrent liabilities:                |                       |
| Compensated absences payable           | 7,407                 |
| Revenue bonds payable                  | 454,674               |
| Total noncurrent liabilities           | <u>462,081</u>        |
| <b>TOTAL LIABILITIES</b>               | <u><u>582,119</u></u> |

**NET ASSETS**

|   |                            |
|---|----------------------------|
| Invested in capital assets, net of related debt | 2,786,550                  |
| Restricted for debt service                     | 199,073                    |
| Unrestricted                                    | 190,435                    |
| <b>TOTAL NET ASSETS</b>                         | <u><u>\$ 3,176,058</u></u> |

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**PROPRIETARY FUND - WATER AND SEWER FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2007**

---

|  |                            |
|--|----------------------------|
| Operating revenues:                              |                            |
| Charges for sales and services:                  |                            |
| Water and sewer fees                             | \$ 461,400                 |
| Other revenues                                   | 4,753                      |
| Total operating revenues                         | <u>466,153</u>             |
| Operating expenses:                              |                            |
| Administration                                   | 411,314                    |
| Depreciation expense                             | 125,910                    |
| Total operating expenses                         | <u>537,224</u>             |
| Operating income (loss)                          | <u>(71,071)</u>            |
| Nonoperating revenues (expenses):                |                            |
| Interest earned                                  | 7,114                      |
| Interest expense                                 | (26,521)                   |
| Total nonoperating revenue (expenses)            | <u>(19,407)</u>            |
| Income (loss) before contributions and transfers | <u>(90,478)</u>            |
| Capital contributions                            | <u>117,787</u>             |
| <b>Change in net assets</b>                      | <b>27,309</b>              |
| Total net assets - beginning                     | <u>3,148,749</u>           |
| Total net assets - ending                        | <u><b>\$ 3,176,058</b></u> |

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND - WATER AND SEWER FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

|  |                          |
|--|--------------------------|
| Cash flows from operating activities:  |                          |
| Receipts from customers and users  | \$ 460,572               |
| Payments to suppliers  | (282,924)                |
| Payments to employees  | (120,780)                |
| <b>Net cash provided (used) by operating activities</b>                                    | <b><u>56,868</u></b>     |
| Cash flows from capital and related financing activities:                                  |                          |
| Purchases of capital assets  | (9,995)                  |
| Principal paid on capital debt   | (86,302)                 |
| Interest paid on capital debt  | (33,579)                 |
| <b>Net cash provided (used) by capital and related financing activities</b>                | <b><u>(129,876)</u></b>  |
| Cash flows from investing activities:  |                          |
| Interest and dividends received  | 7,114                    |
| <b>Net cash provided (used) by investing activities</b>                                    | <b><u>7,114</u></b>      |
| Net increase in cash and cash equivalents  | (65,894)                 |
| Cash and cash equivalents, beginning of year (including amounts in restricted accounts)    | 473,819                  |
| <b>Cash and cash equivalents, end of year (including amounts in restricted accounts)</b>   | <b><u>\$ 407,925</u></b> |
| Reconciliation of operating income to net cash provided (used) by operating activities:    |                          |
| Operating income (loss)  | \$ (71,071)              |
| Adjustments to reconcile operating income to cash provided (used) by operating activities: |                          |
| Depreciation expense   | 125,910                  |
| (Increase) decrease in accounts receivable   | (8,487)                  |
| (Increase) decrease in prepaid items   | 6,786                    |
| Increase (decrease) in customer deposits   | 2,906                    |
| Increase (decrease) in accounts payable  | 1,913                    |
| Increase (decrease) in compensated absences payable  | (1,122)                  |
| Increase (decrease) in due to other funds  | 33                       |
| Total adjustments  | <u>127,939</u>           |
| <b>Net cash provided (used) by operating activities</b>                                    | <b><u>\$ 56,868</u></b>  |

There were no noncash investing, capital or financing activities.

The accompanying notes are an integral part of these financial statements.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Oak Grove, Louisiana, was incorporated January 13, 1909 and on January 4, 1966, adopted the provisions of The Home Rule Charter as provided by State Law Reference L.R.S. 33:1381-1390. A copy of the ratified charter is recorded in Charter Book "B" at page 401, of the records of West Carroll Parish, Louisiana. At June 30, 2004, the Town had a population of 2,174. The citizens elect the Mayor, who is the executive officer, and the five Council members. The Council elects the Mayor Pro-Tem.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

**Government-wide (GWFS) and fund financial statements (FFS)**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Sales Tax Special Revenue Fund accounts for a twenty-year one percent sales tax levied in 1997 for the purpose of maintaining streets and drainage, purchasing police equipment and other legal purposes consistent with the Town's purpose.

The Economic Development Special Revenue Fund accounts for funds designated for economic development within the Town.

The Debt Service Fund accounts for funds reserved for repayment of general obligation bonds.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Town reports one major proprietary fund, the Water and Sewer Enterprise Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. However, there were no payments-in-lieu of taxes and other charges for the year ended June 30, 2007.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The *Water and Sewer Fund's principal operating revenues are water and sewer usage fees. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.*

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles, when material.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the Town in September or October, are actually billed on October 1, and are mailed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year they are billed. The Town bills and collects its own property taxes using the assessed value determined by the tax assessor of West Carroll Parish. For the year ended June 30, 2007, taxes of 18.60 mills were levied on property with assessed valuations totaling \$8,880,419, as follows:

|                            |            |
|----------------------------|------------|
| General corporate purposes | 9.58 mills |
| Street maintenance         | 6.45 mills |
| Cemetery                   | 2.57 mills |

The following are the principal taxpayers and related property tax revenue for the Town:

| <u>Taxpayer</u>          | <u>Assessed<br/>Valuation</u> | <u>% of Total<br/>Assessed<br/>Valuation</u> | <u>Ad Valorem Tax<br/>Revenue for<br/>Municipality</u> |
|--------------------------|-------------------------------|--|--|
| Regions Bank             | \$ 872,720                    | 10%  | \$ 16,233  |
| Atmos Energy Corporation | 450,159                       | 5%   | 8,373  |
| Totals                   | <u>\$ 1,322,879</u>           | <u>15%</u>                                   | <u>\$ 24,606</u>                                       |

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgets**

The Town of Oak Grove (Mayor and Council) uses the following budget practices:

Prior to June 30, the Town Clerk submits to the Mayor and Council Members a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The budget is submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.

Public hearings are conducted to obtain taxpayer comment.

During the month of July the budget is legally enacted through passage of an ordinance.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and Debt Service Fund.

Budgets for the General, Capital Projects, and Special Revenue Funds are adopted on the modified accrual basis.

Appropriations lapse at the end of each fiscal year.

The Mayor and Council Members may authorize supplemental appropriations during the year.

**Cash and cash equivalents**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town of Oak Grove may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Some of the cash and cash equivalents are restricted. Cash deposits are reported at carrying amount which reasonably approximates fair value.

**Investments**

Under state law, the Town may invest in United States bonds, notes or certificates. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

**Short-term interfund receivables/payables**

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Elimination and reclassifications**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**Inventory**

Inventory is accounted for using the consumption method, where expenditures are recognized as inventory is used. All purchased inventory items are valued at cost using the first-in/first-out method.

**Capital assets**

Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold for equipment is \$200. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives:

|                                   |       |
|-----------------------------------|-------|
| Buildings                         | 10-50 |
| Computers and computer equipment  | 5-10  |
| Furniture and equipment           | 5-20  |
| Improvements other than buildings | 10-50 |
| Infrastructure                    | 40    |
| Vehicles                          | 5-7   |

**Compensated absences**

An employee must have been in the service of the Town for at least one year to be eligible for annual leave. Employees' vacations are determined by length of service with the Town according to the following: one-two years, one week; two-ten years, two weeks and more than ten years, three weeks. *Employees may not carry over or accumulate annual leave from one year to another.* After one year, employees are entitled to three hardship days to be approved by the department head and the mayor.

Leave from work with pay may be charged as sick leave if the absence is due to sickness, bodily injury, quarantine, required physical or dental examinations or treatment, exposure to a contagious disease when continued work might jeopardize the health of others and illness in the employee's immediate family. Employees are entitled to sick leave when they have worked full-time for the Town for six months and their six-month probationary period has expired. Each employee earns sick leave at the rate of one day for each month worked. An employee cannot accumulate more than 30 days sick leave and all accumulated sick leave is forfeited upon termination of employment.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensated absences (continued)**

A municipal employee who is called for jury duty or as a witness for the federal or state governments or a subdivision thereof, is entitled to leave with pay for such duty during the required absence. A municipal employee who is a member of Reserved Military or National Guard is entitled to leave with pay for up to 15 days per year.

The Town does not provide compensatory time as a means of compensation.

**Restricted net assets**

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

1. Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments.
2. Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then the unrestricted resources as they are needed.

**Fund equity**

Reservations of fund balance represent amounts that are not appropriable for expenditure or legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Interfund activity**

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

At June 30, 2007, the Town has cash and cash equivalents (book balances) totaling \$2,786,458, as follows:

|  |                            |
|--|----------------------------|
| <b>Cash and cash equivalents:</b>              |                            |
| Demand deposits                                | \$ 373,716                 |
| Time deposits                                  | 1,832,334                  |
| Other  | 825                        |
| Total  | <u>2,206,875</u>           |
| <b>Cash and cash equivalents - restricted:</b> |                            |
| Demand deposits                                | 93,875                     |
| Time deposits                                  | 485,708                    |
| Total  | <u>579,583</u>             |
| <b>Total</b>                                   | <u><u>\$ 2,786,458</u></u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These securities are held in the name of the pledging bank in a holding or custodial bank that is mutually acceptable to both parties.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)**

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$1,932,886 of the Town's bank balances of \$2,371,081 were exposed to custodial credit risk. The deposits were uninsured and collateral was held by the pledging bank's trust department and not in the Town's name.

**NOTE 3 - RECEIVABLES**

The following is a summary of receivables at June 30, 2007:

|                                   | <u>General</u>          | <u>Sales<br/>Tax</u>     | <u>Water/<br/>Sewer</u> | <u>Total</u>             |
|-----------------------------------|-------------------------|--------------------------|-------------------------|--------------------------|
| <b>Receivables:</b>               |                         |                          |                         |                          |
| Taxes and licenses                | \$ 14,870               | \$ 100,569               | \$ -                    | \$ 115,439               |
| Accounts                          | -                       | -                        | 56,476                  | 56,476                   |
| Intergovernmental                 | 31,733                  | -                        | -                       | 31,733                   |
| Other                             | 4,033                   | -                        | -                       | 4,033                    |
| <b>Gross receivables</b>          | <u>50,636</u>           | <u>100,569</u>           | <u>56,476</u>           | <u>207,681</u>           |
| Less allowance for uncollectibles | <u>-</u>                | <u>-</u>                 | <u>(5,173)</u>          | <u>(5,173)</u>           |
| <b>Net total receivables</b>      | <u><u>\$ 50,636</u></u> | <u><u>\$ 100,569</u></u> | <u><u>\$ 51,303</u></u> | <u><u>\$ 202,508</u></u> |

**NOTE 4 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2007, follows:

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 4 - CAPITAL ASSETS (Continued)**

|   | <u>Beginning</u><br><u>Balance</u> | <u>Adjustments</u> | <u>Increases</u>  | <u>Decreases</u>    | <u>Ending</u><br><u>Balance</u> |
|---|------------------------------------|--------------------|-------------------|---------------------|---------------------------------|
| <b>Governmental activities:</b>                 |                                    |                    |                   |                     |                                 |
| <b>Capital assets not being depreciated:</b>    |                                    |                    |                   |                     |                                 |
| Land  | \$ 33,000                          | \$ -               | \$ -              | \$ -                | \$ 33,000                       |
| Recreational vehicle hookups at park            | 1,270                              | -                  | -                 | -                   | 1,270                           |
| Construction in progress                        | -                                  | -                  | 117,787           | (117,787)           | -                               |
| Total capital assets<br>not being depreciated   | <u>34,270</u>                      | <u>-</u>           | <u>117,787</u>    | <u>(117,787)</u>    | <u>34,270</u>                   |
| <b>Capital assets being depreciated:</b>        |                                    |                    |                   |                     |                                 |
| Infrastructure                                  | 2,839,652                          | -                  | 117,787           | (117,787)           | 2,839,652                       |
| Buildings                                       | 1,660                              | 369,977            | -                 | -                   | 371,637                         |
| Building improvements                           | 56,825                             | 107,197            | 11,159            | -                   | 175,181                         |
| Furniture and equipment                         | 213,207                            | -                  | 26,834            | (4,520)             | 235,521                         |
| Vehicles  | 171,184                            | -                  | 54,053            | (24,699)            | 200,538                         |
| Total capital assets<br>being depreciated       | <u>3,282,528</u>                   | <u>477,174</u>     | <u>209,833</u>    | <u>(147,006)</u>    | <u>3,822,529</u>                |
| <b>Less accumulated depreciation for:</b>       |                                    |                    |                   |                     |                                 |
| Infrastructure                                  | 398,189                            | -                  | 75,957            | -                   | 474,146                         |
| Buildings                                       | 1,660                              | 317,477            | 17,500            | -                   | 336,637                         |
| Building improvements                           | 10,798                             | 80,247             | 6,769             | -                   | 97,814                          |
| Furniture and equipment                         | 134,111                            | -                  | 13,217            | (4,091)             | 143,237                         |
| Vehicles  | 116,775                            | -                  | 15,790            | (23,430)            | 109,135                         |
| Total accumulated depreciation                  | <u>661,533</u>                     | <u>397,724</u>     | <u>129,233</u>    | <u>(27,521)</u>     | <u>1,160,969</u>                |
| Total capital assets<br>being depreciated       | <u>2,620,995</u>                   | <u>79,450</u>      | <u>80,600</u>     | <u>(119,485)</u>    | <u>2,661,560</u>                |
| Governmental activities,<br>capital assets, net | <u>\$ 2,655,265</u>                | <u>\$ 79,450</u>   | <u>\$ 198,387</u> | <u>\$ (237,272)</u> | <u>\$ 2,695,830</u>             |

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 4 - CAPITAL ASSETS (Continued)**

|  | <u>Beginning<br/>Balance</u> | <u>Adjustments</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|--------------------|------------------|------------------|---------------------------|
| <b>Business-type activities:</b>                 |                              |                    |                  |                  |                           |
| <b>Capital assets not being depreciated:</b>     |                              |                    |                  |                  |                           |
| Land   | \$ 10,756                    | \$ -               | \$ -             | \$ -             | \$ 10,756                 |
| Total capital assets<br>not being depreciated    | <u>10,756</u>                | <u>-</u>           | <u>-</u>         | <u>-</u>         | <u>10,756</u>             |
| <b>Capital assets being depreciated:</b>         |                              |                    |                  |                  |                           |
| Infrastructure                                   | 5,161,087                    | -                  | 117,787          | -                | 5,278,874                 |
| Buildings  | 1,815                        | -                  | -                | -                | 1,815                     |
| Furniture and equipment                          | 125,362                      | -                  | 3,995            | -                | 129,357                   |
| Vehicles   | 95,065                       | -                  | 6,000            | -                | 101,065                   |
| Total capital assets<br>being depreciated        | <u>5,383,329</u>             | <u>-</u>           | <u>127,782</u>   | <u>-</u>         | <u>5,511,111</u>          |
| <b>Less accumulated depreciation for:</b>        |                              |                    |                  |                  |                           |
| Infrastructure                                   | 1,912,109                    | -                  | 116,432          | -                | 2,028,541                 |
| Buildings  | 484                          | -                  | 121              | -                | 605                       |
| Furniture and equipment                          | 102,447                      | -                  | 6,683            | -                | 109,130                   |
| Vehicles   | 91,118                       | -                  | 2,674            | -                | 93,792                    |
| Total accumulated depreciation                   | <u>2,106,158</u>             | <u>-</u>           | <u>125,910</u>   | <u>-</u>         | <u>2,232,068</u>          |
| Total capital assets<br>being depreciated        | <u>3,277,171</u>             | <u>-</u>           | <u>1,872</u>     | <u>-</u>         | <u>3,279,043</u>          |
| Business-type activities,<br>capital assets, net | <u>\$ 3,287,927</u>          | <u>\$ -</u>        | <u>\$ 1,872</u>  | <u>\$ -</u>      | <u>\$ 3,289,799</u>       |

Depreciation expense was charged as follows:

**Governmental activities:**

|                      |                   |
|----------------------|-------------------|
| General government   | \$ 35,552         |
| Highways and Streets | 93,681            |
| Total                | <u>\$ 129,233</u> |

**Business-type activities - water/sewer**

\$ 125,910

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**NOTE 5 – INTERFUND BALANCES AND TRANSFERS**

The composition of interfund balances as of June 30, 2007, is as follows:

| <u>Receivable Fund</u>    | <u>Payable Fund</u>  | <u>Amount</u>    |
|---------------------------|----------------------|------------------|
| General Fund              | Sales Tax Fund       | \$ 9,681         |
| Economic Development Fund | General Fund         | 60,760           |
| Street Fund               | Water and Sewer Fund | 33               |
| Total                     |                      | <u>\$ 70,474</u> |

The outstanding balances between funds result mainly from the time lag between dates that reimbursable expenditures occur and payments between funds are made.

During the year ended June 30, 2007, the Sales Tax Fund transferred \$211,464 to the Debt Service Fund.

Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, and (3) move unrestricted general fund revenues to finance various programs that the Town must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

**NOTE 6 – LEASES**

The Town leases a commercial building to a warehousing company. The original five-year lease term began July 10, 2001 and ended July 10, 2006.

According to the term of the lease, the lessee was required to pay nonmonetary rental to the lessor for the period beginning July 11, 2001 through January 10, 2002. Lessee is to maintain insurance upon the premises. The rental and consideration for the period beginning January 10, 2002 through July 10, 2003, is the sum of \$1,000, plus 10% of the gross earnings of the lessee up to a maximum of \$1,500 of said gross earnings or a total maximum rent of \$2,500. Thereafter, beginning 24 months from the date of this lease, and monthly thereafter, the lease payment will be \$1,000 per month plus 10% of the lessee's gross earnings up to \$2,000 or a maximum total rental per month of \$3,000. The lease contains an option to extend the lease for three additional five year periods on the same terms and conditions as the original lease. At the end of the 2nd five year term and if applicable, the 3rd five year term, the lessee has the option to extend the lease for an additional five year period after each said period on the same terms and conditions as the original lease.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**NOTE 6 - LEASES (Continued)**

Each option may be exercised by the lessee at any time after the expiration of the first three years of the then current term of the lease so long as the lessee is not in default under any terms of the lease. Both the lessor and lessee have agreed that if at the end of the first 24 months of the lease, the total monthly payment payable to lessor is not equal to or greater than \$2,500 a month, either party may cancel the lease in full within 60 days after the end of the initial 24 month period of the lease or within 60 days of any month thereafter if the lease payment falls below \$2,500 per month.

On October 8, 2001 the above lease was amended, removing the maximum rent limits. Options to renew the lease remain the same including the changes resulting from the amendment.

On June 5, 2006, the lessee exercised its right to extend the lease for an additional five years ending on July 10, 2011.

The warehouse is included in governmental activities capital assets at cost of \$350,000. Accumulated depreciation as of June 30, 2007 was \$315,000.

The Town entered into a second operating lease with the lessee on April 1, 2002 and ending March 31, 2007 for the land on which the above warehouse is situated. The lease was renewed for an additional five year term ending on March 31, 2012. The lessee is to pay the Town \$1,000 per month or 10% of the gross earnings per month, whichever sum is greater. The lease allows lessee the option to extend the lease for two additional five year terms and a final additional four year and three month term which would terminate on July 10, 2021. The lessee may then extend the lease for an additional five years on the same terms and conditions as the original lease. All options to renew and extend cancel after July 20, 2021.

**NOTE 7 - LONG TERM OBLIGATIONS**

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The Town also issues bonds where the Town pledges income derived from the acquired or constructed asset to pay debt service.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 7 - LONG TERM OBLIGATIONS (Continued)**

Bonds payable at June 30, 2007 are comprised of the following issues:

**General Obligation Bonds:**

\$2,550,000 State of Louisiana Sales Tax Bonds Series 99 dated June 1, 1999, due in annual installments of \$90,000 commencing December 1, 2000 and increasing in \$5,000 increments each year through 2017; interest at various rates from 4.30% to 4.70% due each year on June 1 and December 1. **\$ 1,815,000**

**Revenue Bonds:**

\$1,045,000 Water and Sewer Revenue Bond dated March 20, 1998, due in monthly installments of \$4,995 beginning April 20, 1999 through March 20, 2038; an interest only payment of \$50,944 was due and paid March 20, 1999; interest rate is 4.875%. The Town has made extra payments which have reduced the term. **503,249**

**Total** **\$ 2,318,249**

Long-term liability activity for the year ended June 30, 2007, was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>        | <u>Reductions</u>          | <u>Ending<br/>Balance</u>  | <u>Due Within<br/>One Year</u> |
|---|------------------------------|-------------------------|----------------------------|----------------------------|--------------------------------|
| <b>Governmental activities:</b>                     |                              |                         |                            |                            |                                |
| General obligation bonds payable                    | \$ 1,935,000                 | \$ -                    | \$ (120,000)               | \$ 1,815,000               | \$ 125,000                     |
| Compensated absences                                | 21,282                       | 12,035                  | (13,245)                   | 20,072                     | 5,274                          |
| <b>Governmental activity long-term liabilities</b>  | <u><u>\$ 1,956,282</u></u>   | <u><u>\$ 12,035</u></u> | <u><u>\$ (133,245)</u></u> | <u><u>\$ 1,835,072</u></u> | <u><u>\$ 130,274</u></u>       |
| <br><b>Business-type activities:</b>                |                              |                         |                            |                            |                                |
| Revenue bonds payable                               | \$ 589,551                   | \$ -                    | \$ (86,302)                | \$ 503,249                 | \$ 48,575                      |
| Compensated absences                                | 11,883                       | 8,870                   | (9,991)                    | 10,762                     | 3,355                          |
| <b>Business-type activity long-term liabilities</b> | <u><u>\$ 601,434</u></u>     | <u><u>\$ 8,870</u></u>  | <u><u>\$ (96,293)</u></u>  | <u><u>\$ 514,011</u></u>   | <u><u>\$ 51,930</u></u>        |

Annual debt service requirements to maturity for bonds are as follows:

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 7 - LONG TERM OBLIGATIONS (Continued)**

|           | <u>Governmental Activities</u>              |  | <u>Business-type Activities</u>             |  |
|-----------|---|--|---|--|
|           | <u>General<br/>Obligation<br/>Principal</u> | <u>General<br/>Obligation<br/>Interest</u> | <u>1998 Revenue<br/>Bonds<br/>Principal</u> | <u>1998 Revenue<br/>Bonds<br/>Interest</u> |
| 2008      | \$ 125,000                                  | 82,679                                     | \$ 48,575                                   | \$ 12,131                                  |
| 2009      | 135,000                                     | 76,990                                     | 37,760                                      | 23,880                                     |
| 2010      | 140,000                                     | 70,905                                     | 39,601                                      | 22,122                                     |
| 2011      | 145,000                                     | 64,527                                     | 41,532                                      | 20,278                                     |
| 2012      | 155,000                                     | 57,700                                     | 43,557                                      | 18,345                                     |
| 2013-2017 | 905,000                                     | 166,303                                    | 251,466                                     | 59,255                                     |
| 2018      | 210,000                                     | 5,145                                      | 40,758                                      | 4,595                                      |
| Totals    | <u>\$ 1,815,000</u>                         | <u>\$ 524,249</u>                          | <u>\$ 503,249</u>                           | <u>\$ 160,606</u>                          |

There are a number of limitations and restrictions contained in the various bond indentures. The Town is in compliance with all significant limitations and restrictions.

Interest expense for the period totaled \$114,499.

**NOTE 8 - RETIREMENT SYSTEMS**

**Municipal Employees Retirement System of Louisiana (System)**

**Plan Description**

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Substantially all full-time employees except police of the Town of Oak Grove are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2% of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100% of final-average salary. Final average salary is the employee's average salary over the 36 consecutive or joined

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**NOTE 8 – RETIREMENT SYSTEMS (Continued)**

**Municipal Employees Retirement System of Louisiana (System) (Continued)**

**Plan Description (Continued)**

months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

**Funding Policy**

Under Plan B, members are required by state statute to contribute five percent of their annual covered salary and the Town of Oak Grove is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Oak Grove are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System under Plan B for the years ended June 30, 2007, 2006, and 2005 were \$22,519, \$23,580, and \$29,200 respectively, equal to the required contributions for each year.

**Municipal Police Employees Retirement System of Louisiana (System)**

**Plan Description**

All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (504) 929-7411.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**NOTE 8 – RETIREMENT SYSTEMS (Continued)**

**Municipal Police Employees Retirement System of Louisiana (System) (Continued)**

**Funding Policy**

Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town of Oak Grove is required to contribute at an actuarially determined rate. The current rate is 15.5% of annual covered payroll. The contribution requirements of plan members and the Town of Oak Grove are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Oak Grove contributions to the System for the years ended June 30, 2007, 2006 and 2005, were \$17,412, \$19,203 and \$25,771, respectively, equal to the required contributions for each year.

**NOTE 9 – ON-BEHALF PAYMENTS**

Certain employees in the Town's police department receive supplemental pay from the state of Louisiana. In accordance with GASB Statement No. 24, the Town has recorded revenues and expenditures for these payments in the General Fund. Revenues under this arrangement totaled \$24,660. The related expenditures are included in public safety in the General Fund.

**NOTE 10 – CONTINGENCIES**

The Town operates the water and sewer treatment plants. These operations pose a high risk for environmental liabilities. The Town is required to have EPA permits for wastewater. The Town relies on the EPA for periodic testing and inspections to help identify environmental liabilities or contingencies. The Town employs a professional wastewater management company to ensure compliance with the EPA regulations.

There was no litigation pending at June 30, 2007.

**NOTE 11 - RISK MANAGEMENT**

The Town is exposed to various risks of loss relating to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

**REQUIRED SUPPLEMENTAL INFORMATION**

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007**

|   | Budgeted Amounts  |                   | Actual            | Variance             |
|---|-------------------|-------------------|-------------------|----------------------|
|   | Original          | Final             |                   | With<br>Final Budget |
| <b>Revenues:</b>                                  |                   |                   |                   |                      |
| Taxes   | \$ 159,100        | \$ 160,775        | \$ 164,526        | \$ 3,751             |
| Licenses and permits                              | 116,500           | 123,500           | 129,009           | 5,509                |
| Intergovernmental revenues                        | -                 | 99,500            | 91,393            | (8,107)              |
| Charges for services                              | 13,700            | 18,700            | 11,086            | (7,614)              |
| Fines   | 25,000            | 23,000            | 21,416            | (1,584)              |
| Lease income                                      | 34,100            | 34,100            | 33,374            | (726)                |
| Interest earned                                   | 8,000             | 10,000            | 6,189             | (3,811)              |
| Other revenues                                    | 5,000             | 5,000             | 3,943             | (1,057)              |
| <b>Total revenues</b>                             | <u>361,400</u>    | <u>474,575</u>    | <u>460,936</u>    | <u>(13,639)</u>      |
| <b>Expenditures:</b>                              |                   |                   |                   |                      |
| <b>Current:</b>                                   |                   |                   |                   |                      |
| General government                                | 187,908           | 187,206           | 217,219           | (30,013)             |
| Public safety                                     | 173,690           | 183,500           | 207,250           | (23,750)             |
| Capital outlay                                    | -                 | 103,165           | 36,206            | 66,959               |
| <b>Total expenditures</b>                         | <u>361,598</u>    | <u>473,871</u>    | <u>460,675</u>    | <u>13,196</u>        |
| Excess (deficiency) of revenues over expenditures | <u>(198)</u>      | <u>704</u>        | <u>261</u>        | <u>(443)</u>         |
| <b>Net change in fund balances</b>                | (198)             | 704               | 261               | (443)                |
| Fund balances - beginning                         | 312,277           | 340,476           | 340,476           | -                    |
| <b>Fund balances - ending</b>                     | <u>\$ 312,079</u> | <u>\$ 341,180</u> | <u>\$ 340,737</u> | <u>\$ (443)</u>      |

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**SPECIAL REVENUE FUND - SALES TAX FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007**

|  | Budgeted Amounts  |                   | Actual            | Variance With<br>Final Budget |
|--|-------------------|-------------------|-------------------|-------------------------------|
|  | Original          | Final             |                   |                               |
| <b>Revenues:</b>                                     |                   |                   |                   |                               |
| Taxes  | \$ 510,000        | \$ 590,000        | \$ 613,798        | \$ 23,798                     |
| Interest earned                                      | 22,000            | 33,300            | 32,309            | (991)                         |
| Other revenues                                       | -                 | 1,120             | 1,120             | -                             |
| Total revenues                                       | <u>532,000</u>    | <u>624,420</u>    | <u>647,227</u>    | <u>22,807</u>                 |
| <b>Expenditures:</b>                                 |                   |                   |                   |                               |
| <b>Current:</b>                                      |                   |                   |                   |                               |
| General government                                   | 214,679           | 211,200           | 211,204           | (4)                           |
| Highways and streets                                 | 76,161            | 80,161            | 76,899            | 3,262                         |
| Capital outlay                                       | 11,850            | 47,200            | 48,886            | 1,686                         |
| Total expenditures                                   | <u>302,690</u>    | <u>338,561</u>    | <u>336,989</u>    | <u>4,944</u>                  |
| Excess (deficiency) of revenues over<br>expenditures | <u>229,310</u>    | <u>285,859</u>    | <u>310,238</u>    | <u>24,379</u>                 |
| <b>Other financing sources (uses):</b>               |                   |                   |                   |                               |
| Transfers out  | <u>(213,059)</u>  | <u>(212,000)</u>  | <u>(211,464)</u>  | <u>536</u>                    |
| Total other financing sources (uses)                 | <u>(213,059)</u>  | <u>(212,000)</u>  | <u>(211,464)</u>  | <u>536</u>                    |
| <b>Net change in fund balances</b>                   | 16,251            | 73,859            | 98,774            | 24,915                        |
| Fund balances - beginning                            | <u>753,475</u>    | <u>854,148</u>    | <u>854,148</u>    | -                             |
| <b>Fund balances - ending</b>                        | <u>\$ 769,726</u> | <u>\$ 928,007</u> | <u>\$ 952,922</u> | <u>\$ 24,915</u>              |

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**SPECIAL REVENUE FUND - ECONOMIC DEVELOPMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007**

|   | Budgeted Amounts         |                          | Actual                   | Variance With          |
|---|--------------------------|--------------------------|--------------------------|------------------------|
|   | Original                 | Final                    |                          | Final Budget           |
| <b>Revenues:</b>                                  |                          |                          |                          |                        |
| Intergovernmental revenues                        | \$ -                     | \$ 112,000               | \$ 110,760               | \$ (1,240)             |
| Interest earned                                   | 15,000                   | 12,800                   | 12,819                   | 19                     |
| Total revenues                                    | <u>15,000</u>            | <u>124,800</u>           | <u>123,579</u>           | <u>(1,221)</u>         |
| <b>Expenditures:</b>                              |                          |                          |                          |                        |
| Current:  |                          |                          |                          |                        |
| General government                                | 200                      | -                        | 40                       | 40                     |
| Highways and streets                              | 26,250                   | 2,200                    | 1,950                    | (250)                  |
| Capital outlay                                    | -                        | 118,000                  | 117,787                  | (213)                  |
| Total expenditures                                | <u>26,450</u>            | <u>120,200</u>           | <u>119,777</u>           | <u>(423)</u>           |
| Excess (deficiency) of revenues over expenditures | <u>(11,450)</u>          | <u>4,600</u>             | <u>3,802</u>             | <u>(798)</u>           |
| <b>Net change in fund balances</b>                | <b>(11,450)</b>          | <b>4,600</b>             | <b>3,802</b>             | <b>(798)</b>           |
| Fund balances - beginning                         | 367,247                  | 365,787                  | 365,787                  | -                      |
| <b>Fund balances - ending</b>                     | <b><u>\$ 355,797</u></b> | <b><u>\$ 370,387</u></b> | <b><u>\$ 369,589</u></b> | <b><u>\$ (798)</u></b> |

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
AS OF JUNE 30, 2007**

|  | <u>Special Revenue</u> |                  |                   | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|--|------------------------|------------------|-------------------|--|
|  | <b>Street</b>          | <b>Cemetery</b>  | <b>Total</b>      |  |
| <b>ASSETS</b>                                  |                        |                  |                   |  |
| Cash and cash equivalents                      | \$ 167,402             | \$260,116        | \$ 427,518        | \$ 427,518   |
| Due from other funds                           | 33                     | -                | 33                | 33   |
| <b>TOTAL ASSETS</b>                            | <u>\$ 167,435</u>      | <u>\$260,116</u> | <u>\$ 427,551</u> | <u>\$ 427,551</u>                                    |
| <b>LIABILITIES</b>                             |                        |                  |                   |  |
| Accounts payable                               | \$ 3,047               | \$ 145           | \$ 3,192          | \$ 3,192   |
| <b>TOTAL LIABILITIES</b>                       | <u>3,047</u>           | <u>145</u>       | <u>3,192</u>      | <u>3,192</u>   |
| <b>FUND BALANCES</b>                           |                        |                  |                   |  |
| Unreserved, undesignated                       | 164,388                | 259,971          | 424,359           | 424,359  |
| <b>TOTAL FUND BALANCES</b>                     | <u>164,388</u>         | <u>259,971</u>   | <u>424,359</u>    | <u>424,359</u>                                       |
| <b>TOTAL LIABILITIES<br/>AND FUND BALANCES</b> | <u>\$ 167,435</u>      | <u>\$260,116</u> | <u>\$ 427,551</u> | <u>\$ 427,551</u>                                    |

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2007**

|  | Special Revenue   |                   |                   | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-------------------|-------------------|-------------------|--|
|  | Street            | Cemetery          | Total             |  |
| <b>Revenues:</b>   |                   |                   |                   |  |
| Taxes  | \$ 57,184         | \$ 22,785         | \$ 79,969         | \$ 79,969                                  |
| Charges for services                                     | -                 | 11,225            | 11,225            | 11,225                                     |
| Interest earned  | 5,882             | 10,951            | 16,833            | 16,833                                     |
| <b>Total revenues</b>                                    | <b>63,066</b>     | <b>44,961</b>     | <b>108,027</b>    | <b>108,027</b>                             |
| <b>Expenditures:</b>                                     |                   |                   |                   |  |
| <b>Current:</b>  |                   |                   |                   |  |
| Highways and streets                                     | 53,186            | 12,217            | 65,403            | 65,403                                     |
| Capital outlay   | 4,954             | 2,000             | 6,954             | 6,954                                      |
| <b>Total expenditures</b>                                | <b>58,140</b>     | <b>14,217</b>     | <b>72,357</b>     | <b>72,357</b>                              |
| <b>Excess (deficiency) of revenues over expenditures</b> | <b>4,926</b>      | <b>30,744</b>     | <b>35,670</b>     | <b>35,670</b>                              |
| <b>Other financing sources (uses):</b>                   |                   |                   |                   |  |
| Sale of capital assets                                   | 6,000             | -                 | 6,000             | 6,000                                      |
| <b>Total other financing sources (uses)</b>              | <b>6,000</b>      | <b>-</b>          | <b>6,000</b>      | <b>6,000</b>                               |
| <b>Net change in fund balances</b>                       | <b>10,926</b>     | <b>30,744</b>     | <b>41,670</b>     | <b>41,670</b>                              |
| Fund balances - beginning                                | 153,462           | 229,227           | 382,689           | 382,689                                    |
| <b>Fund balances - ending</b>                            | <b>\$ 164,388</b> | <b>\$ 259,971</b> | <b>\$ 424,359</b> | <b>\$ 424,359</b>                          |

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**SCHEDULE OF COMPENSATION TO MAYOR AND TOWN COUNCIL  
FOR THE YEAR ENDED JUNE 30, 2007**

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|                            |                 |
|----------------------------|-----------------|
| Lavelle Brown, Mayor       | \$18,000        |
| Kent Elkins, Mayor Pro tem | 1,800           |
| Debra Hawthorne            | 1,200           |
| Jim Holland                | 1,200           |
| Robert McFarlin            | 1,200           |
| W.B. Russell               | 1,200           |
|                            | <hr/>           |
|                            | <u>\$24,600</u> |

**OTHER REPORTS**



**Hulsey, Harwood & Co.**

**A Professional Accounting Corporation**

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**Certified Public Accountants**

Report On Internal Control over Financial Reporting and On Compliance and  
Other Matters Based On an Audit of Financial Statements Performed In  
Accordance With *Government Auditing Standards*

**Town of Oak Grove  
Oak Grove, Louisiana**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oak Grove, as of and for the year ended June 30, 2007, which collectively comprise the Town of Oak Grove's basic financial statements and have issued our report thereon dated December 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Oak Grove's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Oak Grove's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Town of Oak Grove's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Oak Grove's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Oak Grove's financial statements that is more than inconsequential will not be prevented or detected by the Town of Oak Grove's internal control. We consider the deficiencies identified as 2007-1, 2007-2 and 2007-3 and described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

Town of Oak Grove  
Oak Grove, Louisiana  
Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance, etc.  
June 30, 2007

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Oak Grove's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Oak Grove's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town of Oak Grove's response to the findings identified in our audit is described in the accompanying correction action plan. We did not audit the Town of Oak Grove's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the Town of Oak Grove in a separate letter dated December 13, 2007.

This report is intended solely for the information and use of the Mayor, members of the Council, management, pass-through entities and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, it is issued by the Legislative Auditor as a public document.

HULSEY, HARWOOD & CO., CPAs  
A Professional Accounting Corporation

*Hulsey, Harwood & Co.*

December 13, 2007

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of The Town of Oak Grove.
2. Three significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Compliance and Internal Control over Financial Reporting. The three deficiencies are not considered material weaknesses.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

**2007-1 Water and Sewer Fund Internal Controls**

**Condition and Criteria:** The Water and Sewer Fund lacks proper internal control procedures. This deficiency was first reported in fiscal year 2006. In completing our audit procedures we noted that the two department clerks had control over virtually every aspect of the Fund.

- The department did not retain a copy of the customer deposit trial balance at year-end. Proper internal control procedures include maintaining a proper audit trail and balancing the billing system to the general ledger each month-end. All available useful reports should be printed and retained each month.
- The general ledger is maintained on a cash basis. While it is common for governmental funds to be maintained on a cash basis in a small government, the cash basis is not appropriate for proprietary funds such as the Water and Sewer Enterprise Fund. Operations cannot be properly monitored without monitoring earned revenue and receivable collections.
- During the fiscal year 2006 and 2007, there were two clerks in the department's office that were responsible for billing, collecting and recordkeeping. Proper internal control procedures include that the duties of custody, authorization and recording be segregated. In other words no one employee should be responsible for billing, collecting payments, recording payments, recording billing, investigating customer complaints, writing checks, signing checks, mailing checks and reconciling the bank statement to the general ledger. The duties should be divided between the two employees as much as possible.
- The department does not reconcile gallons of water pumped to gallons of water billed. There are several locations such as city hall, the legion hut, the ball park, the sewer treatment plant and the fire district that are not metered or billed prohibiting a true reconciliation at this time. Additionally, failure to bill the fire district may constitute a donation in violation of Article VII, Section 14 of the Louisiana Constitution.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

**2007-1 Water and Sewer Fund Internal Controls (Continued)**

**Effect:** We identified the following effects and potential effects:

- Audit risk was increased resulting in the performance of additional procedures which in turn raises audit cost.
- The Town is at a greater risk for fraud and error.
- The Town may be in violation of state law.

**Recommendation:** We commend the Mayor, Board of Aldermen, Town Clerk and Water and Sewer Clerks for implementing changes recommended in the 2006 audit. The changes included 1) the Town Clerk periodically retrieving and opening the Town's mail including the bank statements, 2) the governmental funds bookkeeper or Town Clerk periodically reconciling water and sewer fund bank accounts, 3) increased review of water and sewer fund receivables by the Mayor, 4) strictly enforced cutoff procedures and 5) the use of a collection agency to collect past due accounts.

We reiterate the fact that it is important to note that management's personal beliefs about individual employees' trustworthiness should not be allowed to interfere with the process of assessing risk. Management should base the risk assessment on positions and processes rather than people. Hiring people you trust is "a given" if you will. Ideal internal control policies and procedures are often referred to in the accounting and auditing world as "Best Practices". Best practices include dividing duties among employees to ensure that no one person has total control over any single transaction. The duties of custody, authorization and recording are typically segregated.

We understand that the Town believes that controls have been strengthened to the extent that available human and financial resources will allow. We emphasize the importance of oversight by the Mayor and the Board of Aldermen through review of financial reports and diligent review of documentation supporting checks when signing. It is this oversight that reduces the severity of internal control deficiencies.

We respectfully recommend that the Mayor, Board of Aldermen and Town Clerk consider whether implementation of the following further changes is feasible:

- The Town Clerk opens and thoroughly reviews the bank statements and canceled checks (or copies if checks are not returned) observing and considering the dates, payees, signatures, amounts and endorsements.
- The Town Clerk periodically traces a sample of cash receipts from the mail to the bank and proper posting in the appropriate fund's general ledger.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

**2007-1 Water and Sewer Fund Internal Controls (Continued)**

**Recommendation (Continued):**

- The Mayor forwards all funds' signed checks to the Town Clerk for mailing. The Town Clerk may delegate the responsibility of mailing as long as the checks are not returned to the bookkeeper who prepared them.
- The Bookkeeper is not authorized to sign checks or at least is not authorized to sign checks on bank accounts within her assigned funds.
- The Town Clerk, Water Clerk and Bookkeeper complete checklists to provide an audit trail of what control procedures were performed. We have provided examples.

With respect to the reconciliation of water consumed to water billed, we understand that the water department has consulted with the Louisiana Rural Water Association for guidance on improved productivity. We understand that the Association has recommended that meters be installed at all usage points, that existing meters be systematically tested and replaced as deemed necessary and that the reconciliation we sought be performed on a monthly basis. We concur with these recommendations and strongly recommend that the Mayor and the Board monitor the situation and authorize the required expenditures as funds are available. Until such time as meters can be installed at all usage locations, the water department should prepare monthly estimated reconciliations between water consumed and water billed.

Additionally, as the fire district is not included in the primary government of the Town but is a component unit of the West Carroll Police Jury, we recommend that management require that the water department bill the fire district for minimum fees until such time as a meter can be installed and the district can be billed for actual usage. Alternatively, management may consult legal counsel and seek an opinion from the Louisiana Attorney General's office if desired.

**Management's Response:** We will take steps to follow the auditor's recommendations.

**2007-2 Governmental Funds' Internal Controls**

**Condition and Criteria:** Duties relating to governmental funds (General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds) are not properly segregated. Currently the bookkeeper has the following significant duties: record deposits; control blank check stock; write checks; sign checks; mail checks; record checks; maintain attendance records and process payroll. Proper internal control procedures include that the duties of custody, authorization and recording be segregated.

**Effect:** The Town is at a greater risk for fraud and error.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

**2007-2 Governmental Funds' Internal Controls (Continued)**

**Recommendation:** See finding 2007-1. We commend the Mayor, Board of Aldermen, Town Clerk and Bookkeeper for implementing changes recommended in the 2006 audit. The changes included 1) the Town Clerk periodically retrieving and opening the Town's mail including the bank statements and 2) the water and sewer fund clerk or Town Clerk periodically reconciling governmental funds' bank accounts.

We respectfully recommend that the Mayor, Board of Aldermen and Town Clerk consider whether implementation of the following further changes is feasible:

- The Town Clerk opens and thoroughly reviews the bank statements and canceled checks (or copies if checks are not returned) observing and considering the dates, payees, signatures, amounts and endorsements.
- The Town Clerk periodically traces a sample of cash receipts from the mail to the bank and proper posting in the appropriate fund's general ledger.
- The Mayor forwards all funds' signed checks to the Town Clerk for mailing. The Town Clerk may delegate the responsibility of mailing as long as the checks are not returned to the bookkeeper who prepared them.
- The Bookkeeper is not authorized sign checks or at least is not authorized to sign checks on bank accounts within her assigned funds.
- The Town Clerk and Bookkeeper complete checklists to provide an audit trail of what control procedures were performed. We have provided examples.

**Management's Response:** We will take steps to follow the auditor's recommendations.

**2007-3 Buildings Removed from the Town's Capital Asset Records**

**Condition and Criteria:** Buildings (city hall, water department addition, police department improvements, warehouse) with a total cost and accumulated depreciation of \$477,174 and \$397,724, respectively, as of June 30, 2006, were not included in the Town's financial statements for fiscal years ended June 30, 2004, 2005 and 2006. Management was unable to explain why the buildings are not included in current depreciation schedules. Prior to implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, the buildings were included in the general fixed asset account group and disclosed in the notes to the financial statements. Subsequent to the implementation of GASB No. 34, the buildings should have been presented in the governmental activities column of the government-wide statement of net assets, depreciation should have been recognized in the government-wide statement of changes in net assets and balances and changes should have been disclosed in the notes to the financial statements.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

**2007-3 Buildings Removed from the Town's Capital Asset Records (Continued)**

**Effect:** Capital assets being depreciated, net of accumulated depreciation; depreciation expense; and net assets were understated for fiscal years ended June 30, 2004, 2005 and 2006.

**Recommendation:** We recommend that the Town add the buildings to the current depreciation schedule and evaluate internal control procedures to determine how the omission occurred and how to prevent similar misstatements in the future.

**Management's Response:** We will take steps to follow the auditor's recommendations.

**TOWN OF OAK GROVE  
OAK GROVE, LOUISIANA**

**STATUS OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**2006-1 Water and Sewer Fund Internal Controls**

**Description:** The department lacks a proper segregation of duties and adequate internal control procedures. Unauthorized write-offs were posted. Billing errors were made.

**Status:** Partially cleared. See 2007-1.

**2006-2 Governmental Funds' Internal Controls**

**Description:** The department lacks a proper segregation of duties.

**Status:** Partially cleared. See 2007-1.

**ML 2006-1 Timely Reconciliation of Bank Accounts**

**Description:** Water and Sewer Fund bank accounts were not reconciled at June 30, 2006.

**Status:** Cleared

**ML 2006-2 Inadequate Support for Disbursements and Improper Posting**

**Description:** Meter deposit refunds lacked proper support, two disbursements were not correctly posted and three disbursements were not supported by evidence that invoices were reviewed and approved.

**Status:** See ML 2007-1

**ML 2006-3 Personnel Records**

**Description:** Authorized pay is not properly documented.

**Status:** Cleared

**ML 2006-4 Police Department Tickets**

**Description:** The Town's police department does not adequately document the disposition of all tickets.

**Status:** Cleared



**Hulsey, Harwood & Co.**

**A Professional Accounting Corporation**

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**Certified Public Accountants**

### **Management Letter**

Town of Oak Grove  
Oak Grove, Louisiana

In planning and performing our audit of the financial statements of the governmental activities, business activities, each major fund and the aggregate remaining fund information of the Town of Oak Grove, as of and for the year ended June 30, 2007, which collectively comprise the town's basic financial statements, we considered the Town of Oak Grove's internal control in order to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we noted certain matters involving operational matters that are presented for your consideration. This letter does not affect our report dated December 13, 2007, on the basic financial statements of the Town of Oak Grove. We will review the status of these comments during our next audit engagement. Our comments and recommendations which have been discussed with appropriate members of management, is intended to result in improved operating efficiency. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

#### **ML 2007-1 Inadequate Support for Disbursements and Improper Posting**

##### **Comment**

We selected a sample of twenty-five cash disbursements from all funds excluding the Water and Sewer Fund for testing. Out of the twenty-five tested, we noted two disbursements that were not supported by proper purchase orders. The purchase orders were dated after the invoices.

We also selected a sample of twenty-five cash disbursements from the Water and Sewer Fund for testing. Out of the twenty-five tested, three were not properly posted and six were not supported by proper purchase orders. A travel meal was posted to supplies, cleaning supplies were posted to plant repairs and fuel was posted to equipment and general maintenance. Of the six purchase order errors, two purchases of office supplies were not supported by a purchase order, two purchase orders were not dated and two purchase orders were dated after the invoice.

Due to the errors in the Water and Sewer Fund, we selected an additional sample of disbursements greater than \$10,000. Of that sample of thirty disbursements, one check was not properly posted. Payroll taxes were posted to salaries.

**Town of Oak Grove**  
2007 Management letter (Continued)

**Recommendation** We recommend that bookkeepers be especially cognizant of posting transactions. We further recommend that management ensure that all employees understand that the purpose of purchase orders and the proper way to complete purchase orders. Purchase orders are a part of the Town's internal control. Their objective is to ensure that expenses are not incurred without consideration of the available budget and without proper authorization. A purchase order authorizes the employee to whom the purchase order is issued to purchase the item(s) listed at a price not to exceed the amount listed. Blank purchase orders should not be issued. The employee signing the purchase order represents that he or she has confirmed that the expense is necessary, reasonable and authorized by the budget. Since the purchase order should be obtained prior to ordering goods or services, the purchase order date should precede the invoice. Also, since the purchase order is an estimate, it is not necessary for the dollar amount to equal the invoice as long as the invoice amount does not significantly exceed the purchase order amount.

**Management's Response:** We will take steps to follow the auditor's recommendations.

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Our audit procedures are designed primarily to enable us to form opinions on the basic financial statements, and therefore, may not reveal all weaknesses in policies and procedures that may exist.

This report is intended solely for the information and use of the Council of the Town of Oak Grove, management, federal awarding agencies, pass-through entities and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, it is issued by the Legislative Auditor as a public document.

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A Professional Accounting Corporation

*Hulsey, Harwood & Co.*

December 13, 2007